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SUBJECT: TIMOR-LESTE: FRETILIN SETTLES INTO OPPOSITION ROLE

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11. (SBU) SUMMARY: FRETILIN's leaders remain optimistic that Prime Minister Xanana Gusmao's government will be short-lived. FRETILIN is confident that it can undermine Gusmao's coalition by frustrating the realization of the government's policy objectives and highlighting its lack of governing experience. FRETILIN has thus far failed, however, to rally substantial public discontent against the government and doubts are growing as to its willingness and ability to do so . END SUMMARY

EYES ON THE PRIZE

12. (SBU) In August 2007, just after the appointment of the Gusmao government, former PM Alkitiri told the Ambassador that a combination of inexperience and unrealizable public expectations would bring the new government by this month, December 2007. Although this forecast will be missed, FRETILIN, Timor-Leste's largest political party, maintains the dogma that it will reclaim control of the state in the near term, while conveniently moving the timeframe. The party now points to early 2008, just after the expiration of a constitutional requirement that a new parliament not be dissolved within its first six months. FRETILIN parliamentarians, who continue to call the new government "illegal and unconstitutional," are confident that the government will collapse soon after this six month grace period is over in January 2008.

13. (SBU) The FRETILIN's strategy for retaking power continues to be to try to foil Gusmao's policy initiatives and highlight the coalition's lack of governing capacity. Arsenio Bano, FRETILIN's deputy President, told poloff that his party's opposition strategy has benefited from high public expectations for the new government. He noted that Gusmao had "overpromised" and thus far failed to gain traction in dealing with the PM's stated priorities: relocating the internally displaced persons (IDPs) from camps, bringing rebel leader Alfredo Reinado to justice, and addressing the demands of the military petitioners, a group of several hundred soldiers who resigned from the Timorese armed services in early 2006 citing discrimination along regional lines. Until these priorities are met, the government is unlikely to make progress in tackling other development challenges.

14. (SBU) The strategy makes use of three FRETILIN strengths: its size, its heavy representation among the civil service, and the identification the party has struck with many of the tens of thousand internally displace persons (IDPs) living in camps

around Dili. The party controls 21 of 65 seats in parliament. In three elections for President and the National Parliament earlier this year, it consistently won around 30% of the vote, the majority of which came from the eastern districts. With this solid support base in the eastern districts, FRETILIN knows that it cannot be excluded from the solution to problems such as the IDPs (significantly easterners) and even the petitioners (mostly westerners), for whom any solution must not appear somehow detrimental to the east. All indications are that Fretilin intends to use this leverage solely for party advantage, however, and not to assist in creating durable solutions.

15. (SBU) FRETILIN's hold on the civil service means that much of the country cannot be governed without their support. Reforming the civil service is a government intention but will take time to accomplish. Meanwhile, Fretilin is charging that replacing even non-performing bureaucrats is tantamount to politicizing the bureaucracy. As examples of the government's difficult position, Bano noted a recent controversy surrounding the replacement of the head of the Land and Tax office and a much disparaged government plan to distribute rice to civil servants as a means of increasing their pay (note: in fact, the latter largesse was not a government initiative, but was voted into the 2007 transitional budget by the parliament).

16. (SBU) Finally, FRETILIN's success in developing support among many IDPs, some of which began flying the FRETILIN flag outside of their camps last fall, may give the party a support base it can mobilize to block a government program to reintegrate camp members into the general populace. Key camps, some of which have become hotbeds for criminal gang activity, are located at strategic points, including the airport, port, hospital and along the main road connecting Dili with the eastern part of the country, including Baucau. In a pinch, FRETILIN could attempt to use its camp supporters to shut down key public services.

PEACEFUL OPPOSITION

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17. (SBU) While continuing to withhold formal recognition of the government, FRETILIN thus far has disavowed violent opposition and has attempted to highlight its role as constitutional opposition. According to an Australian poloff, FRETILIN, now that it is out of power, has lost the sources of patronage with which it has rallied its base in the past, making it difficult to arrange large-scale protests in the capital. Further, the party may be hesitant to promote civil disorder outside of their eastern stronghold where they lack a secure majority of the population.

18. (SBU) In contrast, FRETILIN leaders have gone out of the way to show that they are the party that is acting in accordance with the constitution. FRETILIN played a constructive role in criticizing and actually making improvements to the government's transitional budget, passed in October. Party spokesman, Harold Moucho, told poloff, the party plans to scrutinize the 2008 budget even more closely. Moucho noted that as long as the government does not tamper with the 2005 Petroleum Fund Law that locks up much of the country's natural resource wealth in U.S. treasury bonds, or gives amnesty to Reinado, FRETILIN could continue to play its opposition role in a peaceful manner.

A COUNTRY STILL DIVIDED

19. (SBU) Despite the improving security environment, political divisions and personality conflicts among Timor's elite remain bitter and have the potential to create instability. During its November 2007 visit to Timor-Leste, the UN Security Council found that divergences among the political leadership has negatively affected national unity and political stability at precisely the moment when such qualities are needed to combat grave problems such as the IDP, Reinado and the petitioners. Nevertheless, Ana Pessoa, a FRETILIN leader and parliamentarian suggests elite reconciliation is still possible. She believes

that after experiencing the frustration of government, Prime Minister Gusmao may open to the idea of political compromise. Elite reconciliation would probably be supported among party officials that have maintained strong personal relationships. Aniceto Guterres, the leader of the FRETILIN bench in parliament, admitted that he maintains close ties with leaders from his former party in the AMP. He noted his reservations about Alkatiri's personality and leadership style, which he described as uncharismatic, and blamed much of the continuing crisis on the inflexible positions of the political elite.

¶10. (SBU) COMMENT: FRETILIN's attitude towards its opposition role has evolved from the anger and denial we saw immediately following formation of the AMP government in August. While it continues to regard itself as Timor-Leste's natural party of government, post believes that it will not resort to destabilizing tactics to unseat the coalition in the short term.

Instead, FRETILIN's leaders now believe that the AMP cabinet will inevitably make missteps, prove itself ineffective, and perhaps fall victim to intra-coalition bickering and defections.

All this, party leaders hope, will at the very least lead to public calls for a FRETILIN comeback, and perhaps result in an early collapse of the government. There's a good deal of wishful thinking here. Past efforts by the party to organize legal protest in the capital against the government, once in late August and again last month, were complete duds. Our sense is that the Timorese public remains willing to give the government an opportunity to resolve key problems, improve the delivery of public services and stimulate the economy. Government contacts tell us their effort in recent weeks to reach out to the Fretilin leadership to develop a joint approach to the IDP problem has fallen on deaf ears. Given the volatility of Timor politics, we can't rule a surge of discontent should there be a serious government misstep on problems such as the IDPs, petitioners or Reinado. Regrettably, Fretilin leaders may see a continuation of the nation's distress solely through the lens of political advantage. End comment.

¶11. (U) This report was prepared by TDY Political Officer James Schutzer.
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